

Message Text

UNCLASSIFIED

PAGE 01 JIDDA 05233 01 OF 02 161446Z
ACTION SIG-03

INFO OCT-01 NEA-10 ISO-00 EB-08 MMO-01 /023 W
-----053836 161451Z /50

P R 161035Z JUL 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 2718
USDOC WASHDC PRIORITY
INFO AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 1 OF 2 JIDDA 5233

E.O. 11652: N/A
TAGS: BEXP, ASIG, SA
SUBJ: POINTS FOR CONSIDERATION IN EXPANDING COMMERCIAL PROMOTION
IN SAUDI ARABIA

REF: JIDDA 4171

1. WHILE REFTTEL OUTLINED THE NEEDS TO ADVANCE COMMERCIAL PROMOTION IN SAUDI ARABIA, WE FEEL THAT THE DEPARTMENT AND DEPARTMENT OF COMMERCE WILL BE INTERESTED IN FACTS AND OUR PREDICTIONS WHICH JUSTIFY A POSITIVE RESPONSE TO THE POSTS REQUESTS FOR ADDED HUMAN AND/OR MATERIAL RESOURCES. ALTHOUGH WE ANTICIPATE A NORMAL DELAY IN RECEIPT OF THESE RESOURCES, WE DO HOPE THAT SOME ITEMS CAN BE PROVIDED EARLY ENOUGH TO MAKE AN IMPACT ON THIS BURGEONING MARKET BEFORE THE OPPORTUNITIES ARE LOST, AND OUR REQUESTS BECOME ACADEMIC. THE JUSTIFICATIONS WE CAN PERCEIVE NOW ARE AS FOLLOWS:
A. AS REPORTED PREVIOUSLY, U.S. EXPORTS TO SAUDI ARABIA HAVE CLIMBED IN FOB VALUE FROM \$835 MILLION IN 1974 TO \$3.6 BILLION IN 1977 USING FIRST QUARTER 1978 U.S. EXPORTS OF \$949 MILLION IN A PROPORTIONS FORMULA BASED ON \$777 MILLION IN THE SAME PERIOD FOR 1977 WE PREDICT THAT THE LEVEL OF U.S. EXPORTS TO SAUDI ARABIA COULD REACH ABOUT \$4.4 BILLION IN 1978. DESPITE THESE GLOWING FIGURES
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JIDDA 05233 01 OF 02 161446Z

WE BELIEVE THE U.S. SHARE OF THIS MARKET SHOULD BE MORE, IF ONLY ON THE BASIS OF OUR DEEP INVOLVEMENT IN THE COUNTRY FOR THE PAST 40 YEARS. WHILE STATISTICIANS MIGHT ARGUE THAT A NATION OF SEVEN MILLION POPULATION, INCLUDING EXPARTIATES, HAS A LIMITED ABSORPTION OF IMPORTS, THE FACT IS THAT THE SAUDIS ARE BUILDING A NEW NATION FROM PRACTICALLY SCRATCH. THOSE WHO VISITED JIDDA OR RIYADH THREE OR FOUR

YEARS AGO WOULD NOW FIND THEM HARD TO RECOGNIZE.

B. FROM AN ESTIMATE OF \$143 BILLION BUDGET, THE SAUDIS HAVE RAISED THE 1975-1980 FIVE-YEAR DEVELOPMENT PLAN TO \$200 BILLION. PLANS ARE NOW UNDERWAY FOR THE THIRD FIVE-YEAR PLAN WHICH GOVERNMENT OBSERVERS HERE FEEL WILL SURPASS THE SECOND PLAN IN SCOPE. EVEN NOW THERE ARE SIGNS THAT THE SAUDIS MAY HAVE TO DIP INTO SURPLUS FUNDS TO CONTINUE THE MOMENTUM OF BUILDING TOWARDS A MODERN STATE BY PROVIDING AN INFRASTRUCTURE THAT CAN SUPPORT IT. CONCOMITANT WITH THIS IS THE NEW AWARENESS THAT THEY MUST EXPEND FUNDS CAREFULLY ON MEANINGFUL PROJECTS. THE SAUDIS TWO MAIN ASSETS, OIL AND MONEY, ARE EXPENDABLE. NEVETTHELESS, THEY ARE DETERMINED TO BUILD AN ECONOMY WITH SOME PERMANENCE IN INDUSTRY AND AGRICULTURE. THE 25 PERCENT OF THE WORLD'S OIL RESOURCES THEY CAN AFFORD IT.

C. AS COMPARED TO 70 U.S. FIRMS IN SAUDI ARABIA IN 1975, THERE ARE NOW 350 AND THE NUMBER IS INCREASING. WITHOUT AN AMERICAN CHAMBER OF COMMERCE HERE AND BLEAK PROSPECTS, BECAUSE OF SAUDI LAW, OF ANY BEING ESTABLISHED TO ASSIST THESE NEW-TO-MARKET COMPANIES IN AN AMBIENCE POSSIBLY DIFFERENT THAN ANY OTHER IN THE WORLD, THEY MUST CONTINUE TO RELY ON WHATEVER SERVICES THE EMBASSY CAN PROVIDE. FRANKLY, THE NUMBER OF THESE COMPANIES, THEIR NEEDS FOR INFORMATION RE GOVERNMENT REGULATIONS AND UP-COMING PROJECTS ARE HARDLY BEING MET BY THE EMBASSY WITH CURRENT RESOURCES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JIDDA 05233 01 OF 02 161446Z

D. MAJOR PROJECTS BY COMMERCE'S DEFINITION, OVER \$5 MILLION IN VALUE, ARE BEING AWARDED AT A RATE THAT DEFIES COMPARISON. WE HAVE HAD TO RESTRICT OUR REPORTING TO THOSE VALUED AT OVER \$50 MILLION, AND EVEN THEN RESOURCES DO NOT ALLOW THE MONITORING OF THE PROJECTS REQUIRED TO POINT U.S. FIRMS TO FALL-OUT TRADE AND SERVICE OPPORTUNITIES. AT THE END OF 1976, WE CONTRACTED FOR PREPARATION OF LIST OF ALL SAUDI PROJECTS AWARDED FROM 1975 FOR THE TWO YEARS, WHICH TOOK UP OVER A HUNDRED PAGE EVEN FOR THOSE NUMEROUS PROJECT NOT AWARDED TO U.S. FIRMS, THE OPPORTUNITIES FOR SUPPLY OF MATERIAL AND SUBCONTRACTING WORK REPRESENTED AN ENORMOUS POTENTIAL FOR THE U.S. A POTENTIAL WE COULD ONLY BARELY TAKE ADVANTAGE OF BECAUSE OF THE LACK OF RESOURCES TO COMPILE THE INFORMATION IN A TIMELY WAY AND DISSEMINATE IT TO AMERICAN FIRMS EARLY ENOUGH.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 JIDDA 05233 02 OF 02 161435Z
ACTION SIG-03

INFO OCT-01 NEA-10 ISO-00 EB-08 MMO-01 /023 W
-----053811 161456Z /50

P R 161035Z JUL 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 2719
USDOC WASHDC PRIORITY
INFO AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 2 OF 2 JIDDA 5233

E. BUSINESS VISITORS TO THE COMMERCIAL CENTER AND THE EMBASSY STILL AVERAGE OVER 150 PER MONTH. GIVEN RAMDAN AND HAJ LULLS, U.S. VISITOR ACTIVITY IS USUALLY CRAMMED INTO A SEVEN OR EIGHT MONTH PERIOD, WHICH INTENSIFIES THE NEED TO PROVIDE ADEQUATE SERVICES. IT IS DURING THESE PERIODS, HOWEVER, THAT WE GET THE YEAR'S RUN OF TRADE MISSIONS, MOSTLY IOGA AND SPECIALIZED COMMERCE MISSIONS. REGARDING THE LATTER, WE HAVE HAD ABOUT 17 SINCE JANUARY 1976. COMMERCE MISSION DIRECTORS WILL ATTEST TO THE EFFECTIVENESS OF THIS TYPE OF TRADE PROMOTION IN SAUDI ARABIA WHERE LETTERS AND BROCHURES DO NOT SELL THE PRODUCT AND WHERE THE PERSONAL APPROACH IS ALL IMPORTANT. REGARDING VISITORS, BOTH SAUDI AND AMERICA, OUR REFERRAL SYSTEM CARD FILE, BY PRODUCT OR SERVICE CATEGORY, HAS HELPED BUT WE NEED SOMETHING EVEN FASTER. WE HAVE AT LEAST TEN SAUDI TRADE LEADS FOR EACH U.S. VISITOR AT THE COMMERCIAL CENTER, AND DOUBLE THAT NUMBER OF U.S. TRADE LEADS FOR SAUDI INQUIRIES IN 53 CATEGORIES. OUR PROBLEM NOW IS DEVISING A SYSTEM TO GET THE U.S. TRADE OFFERS TO THE PERTINENT SAUDI FIRMS, OTHER THAN THE CHANGE VISIOTRS AND THROUGH THE NEWSLETTER THAT WE TRY TO ISSUE EVERY 8 WEEKS. MORE MODERN EQUIPMENT IS NEEDED TO ACCOMPLISH / DISSEMINATION, PREFERABLY A PROGRAMMABLE TYPE-WRITER, AND A QUICK READOUT CATALOGER. FURTHER UTILIZA-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JIDDA 05233 02 OF 02 161435Z

TION OF THESE MATERIAL RESOURCES CAN BE APPLIED TO THE OVER 200 LETTERS MAILED OUT FOR EACH TRADE MISSION AND THE CIRCULARIZATION OF LETTER FOR THE FOREIGN BUYER PROGRAM. RECENT PUBLICITY IN TIME MAGAZINE AND OTHER U.S. PUBLICATION REGARDING SAUDI BILLION DOLLAR PROJECTS

IS EXPECTED TO STIMULATE ANOTHER RESURGENCE IN THE FLOW OF U.S. VISITORS. WE WELCOME THEM BUT HOPE WE CAN SERVE THEM ADEQUATELY.

F. SURROUNDING FOREIGN SERVICE POSTS, AWARE OF THE PREPONDERANCE OF U.S. FIRMS BASED HERE, ARE INCREASINGLY SENDING US THEIR BUSINESS, TRADE AND INVESTMENT OPPORTUNITIES FOR DISSEMINATION TO U.S. FIRMS. WE HAVE GOTTEN THESE FROM USINT IN IRAQ, YEMEN, THE EMIRATES AND EVEN CAIRO, U.S. FIRMS TO WHOM THESE HAVE BEEN SENT HAVE RESPONDED MOST FAVORABLY, HAVE TRAVELLED TO THE OTHER POSTS AND WANT US TO CONTINUE OUR NOTIFICATION. THEY AS WE, FEEL THAT THE PROXIMITY OF U.S. FIRMS HERE ENABLING QUICK RESPONSE WILL RESULT IN MORE COMMERCIAL BENEFITS. WE HAVE SENT THE CATERPILLAR AGENT TO IRAQ, BROWN, & ROOT, MORRISON- KNUDSEN, H.K. FERGUSON AND WESTERN ELECTRIC COMPANIES TO YEMEN AND OTHER COMPANIES TO THE EMIRATES.

G. COMPETITION FROM EUROPEAN AND ASIAN COUNTRIES IS CONTINUALLY UP-GRADED. ALREADY THE CHINESE (ROC), THE ITALIANS AND THE AUSTRALIANS HAVE ESTABLISHED COMMERCIAL CENTERS LIKE OURS. AND THERE ARE MORE COMING. THE SWISS NOW HAVE 60 FIRMS BASED IN SAUDI ARABIA. THE NUMBER OF GERMAN AND FRENCH FIRMS ARE ALSO GROWING. WHILE IT MAY BE ARGUED THAT THEY, TOO, MUST REDRESS THEIR TRADE BALANCES WITH SAUDI ARABIA, NONE OF THEM HAVE OUR TRADE DEFICITS. THE KOREANS NOW HAVE ALMOST AS MANY EXPORTS HERE (ABOUT 28,000) AS THE U.S. THE MARKET FOR SERVICES AS WELL AS GOODS IS WELL RECOGNIZED BY OUR COMPETITORS. FOR UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JIDDA 05233 02 OF 02 161435Z

EXAMPLE, W. GERMAN TRADE HAS SHOT UP 10 FOLD FROM 1973-74 LEVELS, SWEDEN, BELGIUM AND THE NETHERLAND ALL HAVE BEEFED-UP THEIR COMMERCIAL SERVICES. H.U.S. ANTI ARAB BOYCOTT REGULATIONS ARE BEHIND US. NO DOUBT THEY HAVE HAD SOME EFFECT ON TRADE, PARTICULARLY AMONG THE SMALLER U.S. FIRMS WHO FELT THAT THE TRADE WAS NOT WORTH THE BOTHER AND EXPENSES OF NEEDED LEGAL EXPERTISE. WHETHER OTHER WILL AGREE OR NOT, IT IS SIGNIFICANT TO NOTE THAT THERE IS A BENEFICIAL ASPECT. THE SAG HAS TAKEN STEPS TO ADJUST THE LANGUAGE OF BOYCOTT ENFORCEMENT TO ASSURE A CONTINUATION OF U.S. TRADE. TIME AND OUR INTEREST IN TRADE GROWTH HAS MELLOWED THE EARLY CHAGRIN AND ANGER ENCOUNTERED FROM LOCAL BUSINESSMEN AND OFFICIALS. THERE IS A PATH THROUGH THE LABYRINTH AND MAZE OF REGULATIONS WHICH HAS BEEN FOUND WITHOUT BREAKING U.S. OR SAUDI LAWS. COMMERCE REGULATIONS ARE CLEAR BUT TREASURY REGULATIONS, WHICH AFFECT MAINLY SERVICE AND CONSTRUCTION CONTRACTS AND WHERE THE LARGER GAINS FOR THE U.S. MAY LAG, ARE STILL A PROBLEM. IT IS NOW ENCUMBENT ON US TO FOLLOW EVEN MORE CLOSELY ALL SAUDI REGULATIONS AND INTERPRETATIONS

ON THE BOYCOTT. U.S. TAX LEGISLATION ON EXPATRIATES WHO
SERVE AS A MULTIPLIER TO TRADE, AND ARE EVEN MORE IMPORTANT
IN THE U.S. WINNING OF MAJOR CONTRACTS, APPEARS CLOSE TO
AN EQUITABLE SOLUTION. NEVERTHELESS, THIS AND THE BOYCOTT
REGULATIONS WILL REQUIRE EXTRA EFFORT IF WE ARE
TO KEEP OR EXPAND A PROPORTIONATE SHARE OF THE MARKET.

I. THERE ARE ABOUT 1800 U.S. FIRMS NOW REPRESENTED
HERE BY SAUDI FIRMS EITHER AS STOCKING AGENTS, DISTRIBUTORS
OR INDENT AGENTS. DESPITE THE FACT THE COMMERCE NO LONGER
SENDS NEW AGENCY CARDS, WE FEEL THAT IT IS NECESSARY TO KEEP
THIS LIST UPDATED IN ORDER TO REFER CALLER, BOTH SAUDI
AND U.S. FIRMS. TO THE AVAILABILITY OF RAPID SERVICE AND
SUPPLY OF U.S. GOODS IN THE MARKET. RAPID REFERRAL OF
THIS INFORMATION CAN BE THE KEY TO FURTHER SALES. IT IS
NOT POSSIBLE FOR U.S. FIRMS TO BID ON SAUDI SUPPLY
TENDERS WITHOUT BEING PHYSICALLY PRESENT OR REPRESENTED
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 JIDDA 05233 02 OF 02 161435Z

BY A QUALIFIED SAUDI AGENT. THE ONLY EXCEPTION IS WHEN
FOREIGN FIRMS ARE DIRECTLY INVITED BY A MINISTRY. USUALLY
FOR BIG TICKET OR VERY SPECIALIZED ITEMS. WE NEED TO
HAVE MORE FIRMS REPRESENTED HERE. RAPID RETRIEVAL OF
INFORMATION IS GETTING MORE NECESSARY.

2. TO TAKE ADVANTAGE OF THE GROWING SCOPE OF TRADE
OPPORTUNITIES AND IN SOLUTION OF THE ABOVE POINTS, WE
REQUIRE THE RESOURCES NOTED IN REFTEL. THERE ARE MORE
MATERIAL AIDS THAT WE CAN THINK OF SUCH AS FACSIMILE
TRANSMISSION EQUIPMENT LINKING USLO RIYADH AND DHAHRAN
DHAHRAN WITH JIDDA, AND PROGRAMMABLE TYPEWRITERS TO HELP GET OUT
THE 6,000-8,000 PIECES OF CORRESPONDENCE WHICH SHOULD BE
INCREASED. AS DISCUSSED WITH NEA/ARP AND NEA/EX OFFICERS
DURING THEIR RECENT VISITS, WE COULD POSSIBLY USE
A BUSINESS MANAGEMENT EXPERT TO RECOMMEND THE LATEST IN
MATERIAL RESOURCES FOR USE IN TRADE PROMOTION. WE KNOW
WHAT WE WANT TO DO TO INCREASE U.S. COMMERCIAL INTERESTS.
WHAT A MANAGEMENT EXPERT CAN TELL US AND WHAT WE DESIRE
IS THE IDENTIFICATION OF THE LATEST AND BEST EQUIPMENT TO
SERVE OUR NEEDS. WITH THE PROPER EQUIPMENT AND PERSONNEL
WE FEEL THAT WE CAN ADD ANOTHER BILLION DOLLARS TO U.S.
TRADE TO SAUDI ARABIA.
DANIELS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JIDDA05233
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780292-0274
Format: TEL
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780755/aaaabuev.tel
Line Count: 270
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f028072-c288-dd11-92da-001cc4696bcc
Office: ACTION SIG
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 JIDDA 4171
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1993111
Secure: OPEN
Status: NATIVE
Subject: POINTS FOR CONSIDERATION IN EXPANDING COMMERCIAL PROMOTION IN SAUDI ARABIA
TAGS: BEXP, ASIG, SA
To: STATE COM
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6f028072-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014